

This letter describes why a prior Private Letter Ruling was rescinded regarding the amount of MPC earned on the purchase of special order molds and dies. See 86 Ill. Adm. Code 130.331. (This is a GIL.)

May 1, 2002

Dear Xxxxx:

This letter is in response to your letter dated March 25, 2002. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found on the Department's Internet website at <http://www.revenue.state.il.us/Laws/regs/part1200/>.

In your letter, you have stated and made inquiry as follows:

On February 15, 2001 your office issued a response to our request for a private letter ruling on behalf of ABC. In this private letter ruling your office confirmed our understanding that molds and dies could earn Illinois Manufacturer's Purchase Credit on 100% of the molds or dies. However, on January 30, 2002 I received in my office a reversal of this original position. This position reversal dated January 25, 2002 indicated that the molds and dies would only earn MPC at 50% of the invoice amount (unless the serviceman separately stated the selling price aside from labor).

On February 11, 2002, I contacted you to discuss the State's change of position on the MPC earned on molds and dies. During this phone discussion you informed me that you would need to discuss the position change with your supervisor. I supplied you with my phone number so you or your supervisor could return my call. On February 27, 2002, I called your office to see if you could discuss the Department's position change. The receptionist was unable to find you and suggested I leave a voice message. As of today, I still have not received a call from your office.

Since phone calls have not satisfied my questions, I am sending this letter for a written response. Please supply, in writing, the reason your office made a position change regarding the initial private letter ruling issued on February 15, 2001. The taxpayer facts supplied in that letter ruling request did not change, however your position did.

At this time, I am not aware of any law changes that would have affected your position change. If Illinois statutes or regulations were changed that would affect your position, please send me copies of those changes. Your position change does impact how we earn and use MPC for this client.

If you should need to contact me for additional information, please call me. I can be reached via email. Thank you in advance for your assistance, and I look forward to your quick response.

DEPARTMENT'S RESPONSE:

We apologize for any confusion that our earlier correspondence may have caused. The original Private Letter Ruling (ST 01-00006-PLR) was issued based upon an erroneous reading of the facts contained in your ruling request. The original letter determined that the molds and dies were not special order purchases under the provisions of 86 Ill. Adm. Code 130.2115(b) because those molds and dies were used to produce products for more than one customer. See page 4 of ST 01-00006-PLR. However, the test of whether the molds and dies were special order purchases under the provisions of 130.2115(b) does not concern whether those molds and dies are used by the purchaser to produce products for more than one customer, but rather whether those molds and dies were themselves created on special order from a serviceman.

Your ruling request stated that:

"The molds and dies purchased are made pursuant to the specifications of Company to fulfill orders from its customers. These orders are recurring and not limited to one-time orders."

The person responding to your request interpreted this statement to mean that the recurring "orders" were recurring purchases of the same molds and dies. A review of your letter, combined with the information provided in the telephone conversation of January 26, 2001, established that the recurring orders were actually recurring orders from your customers in which the molds and dies were used rather than recurring orders or purchases of the same molds and dies. This review is the basis for the rescinding of that letter ruling by the subsequent Private Letter Ruling (ST 02-00003-PLR) dated January 25, 2002. Unfortunately, this subsequent letter ruling failed to describe the misinterpretation that was the basis of the rescission of the prior letter ruling.

I hope this information is helpful. The Department of Revenue maintains a website, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b) described above.

Very truly yours,

Terry D. Charlton
Associate Counsel

TDC:msk